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The Conference Board

Survey of Chief Executives Volume 14, No. 4 Fourth Quarter 1990

Business Executives' Expectations

Business Confidence Continues to Fall

The nation's chief executives now express an overwhelmingly negative view of the general business climate. The Measure of Business Confidence fell a substantial seven points in the fourth quarter, following an eight-point plunge in the third. The current level of 33 is just four points above its all-time low registered in mid-1980. A reading of below 50 indicates that negative responses outnumber positive replies.

Broad Consensus: Economy Continues to Worsen

Nine out of ten top executives say that the economy has worsened over the past six months, only 2 percent say it has improved. This general consensus prevails across all regions of the country. Further, an overwhelming majority of business leaders in all industries say that conditions have deteriorated in their own sectors. Those in banking and finance remain the most negative.

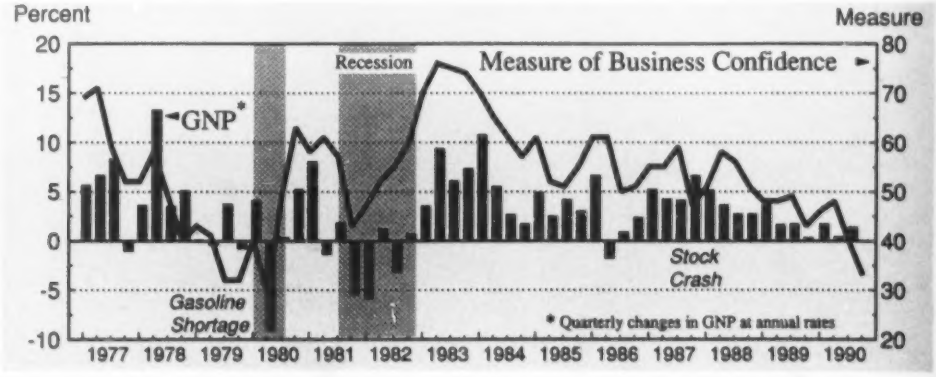
Prospects for a Rebound Fade

Looking ahead to the next six months, more than 60 percent of survey participants expect the already soft economy to worsen further, while a scant 10 percent foresee improvement. In the prior survey, pessimists had outnumbered optimists by a margin of 50 to 15 percent. Most executives have a fairly bleak outlook for their own business sectors as well—expectations are lower than last time across all industries.

Moderate Price Increases Expected

Despite the recent run-up in energy costs, most business leaders expect prices in their line of business to rise only modestly, if at all, in 1991. Nearly 30 percent foresee flat or declining prices. The mean projected increase in selling prices in 1991 is a modest 2.8 percent, compared with an estimate of 3.4 percent for 1990. The expected inflation rate varies only slightly by industry, except in mining, where it is nearly 8 percent.

Jason Bram



Business Confidence and Changes in GNP

Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1987	1988				1989				1990			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
MEASURE OF BUSINESS CONFIDENCE	47	51	58	56	51	48	48	49	43	46	48	40	33
1. Current Economic Conditions vs. 6 Months Ago	50	49	64	65	54	52	48	47	39	38	42	33	24
2. Expectations for Economy, 6 Months Ahead	43	50	54	51	48	43	47	48	43	49	50	41	34
3. Expectations for Own Industry, 6 Months Ahead	48	54	55	53	51	48	50	51	46	52	52	46	41
Current Conditions in Own Industry vs. 6 Mos. Ago	55	55	62	60	53	54	50	46	41	42	42	39	33

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1989	1990			
	Q4	Q1	Q2	Q3	Q4
ALL INDUSTRIES	46	52	52	46	41
MANUFACTURING	45	52	52	46	40
Nondurables	43	51	52	47	42
Food, Textiles, Apparel	43	52	52	47	46
Paper, Printing, Publishing	43	50	51	47	44
Chemicals, Petroleum, Rubber	44	51	52	48	37
Durables	46	52	51	45	38
Metals	46	54	53	47	34
Machinery	49	56	53	45	42
SERVICES	49	51	52	48	40
Utilities	52	53	55	52	45
Wholesale & Retail Trade	46	58	55	46	38
Banking and Finance	42	45	46	41	36
Insurance	55	52	55	52	46
Business Services	58	56	55	49	38

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1989	1990			
	Q4	Q1	Q2	Q3	Q4
ALL INDUSTRIES	41	42	42	39	33
MANUFACTURING	36	40	40	38	31
Nondurables	38	39	39	37	33
Food, Textiles, Apparel	39	40	39	34	32
Paper, Printing, Publishing	32	36	36	32	32
Chemicals, Petroleum, Rubber	41	40	42	43	36
Durables	34	40	40	38	30
Metals	34	33	39	42	27
Machinery	35	47	44	39	35
SERVICES	46	44	43	40	31
Utilities	52	48	47	44	38
Wholesale & Retail Trade	47	43	43	40	32
Banking and Finance	38	35	33	29	19
Insurance	46	47	46	43	38
Business Services	52	51	48	42	37

Table 4: AVERAGE ESTIMATED CHANGE IN SELLING PRICES IN OWN INDUSTRY FOR 1989-90 AND 1990-91

	Estimate 1989-90	Prediction 1990-91
	Average Change in Prices	
ALL INDUSTRIES	3.4%	2.8%
Manufacturing, Nondurables	2.5%	1.8%
Manufacturing, Durables	1.8%	2.4%
Mining	18.9%	7.8%
Utilities	1.8%	4.0%
Trade	3.5%	2.5%
Insurance	4.3%	4.9%

Table 5: ESTIMATED CHANGE IN SELLING PRICES FOR 1990-91

Expected Change in Prices	Percent of Respondents
Down	14%
No Change	15%
Up Less Than 4%	26%
Up 4.0%–5.9%	27%
Up 6.0%–9.9%	11%
Up 10% or more	7%

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

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The Conference Board

Serving Business and Society for 75 Years

Survey of Chief Executives Volume 15, No. 1 First Quarter 1991

Business Executives' Expectations

Business Executives Less Pessimistic

Business leaders continue to have a dim view of the present state of the economy, but are increasingly hopeful about the near-term outlook. The Conference Board's Measure of Business Confidence, which fell to a 10-year low at the end of 1990, rose by 6 points in the first quarter of this year. The current reading of 39 is still a good deal lower than the levels recorded prior to the invasion of Kuwait, though most first-quarter responses were made prior to the end of the war.

Business Leaders: Current Conditions Bad All Over

The same overwhelming proportion of executives as last time—90 percent—say that business conditions have deteriorated over the past 6 months. This general consensus continues to reign across all regions of the country and all industries. Sentiment worsened significantly among producers of durable goods, largely due to hard times in the automobile industry. But the weakest readings continue to come from the financial sector.

Greater Hope for a Rebound

Close to 30 percent of those surveyed envision the economy picking up during the next 6 months, up from 10 percent in the prior survey. Still, pessimists continue to outnumber optimists—35 percent expect conditions to get even worse. Durable goods manufacturers, though gloomy about present conditions in their industry, have grown much more optimistic about the future.

Little Difficulty Finding Employees

Nearly six in ten executives foresee employment in their industries decreasing in 1991; less than one in ten predicts an increase. On a separate question, a scant 6 percent of employers anticipate more difficulty finding qualified employees in 1991 than in 1990; over 50 percent expect less difficulty. These are the most lopsided responses in the twelve-year history.

Jason Bram

Business Confidence and Changes in GNP

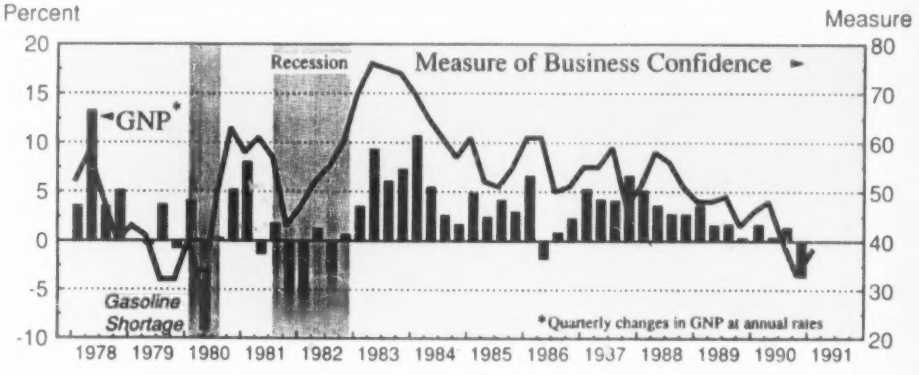

Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1988				1989				1990				1991
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
MEASURE OF BUSINESS CONFIDENCE	51	58	56	51	48	48	49	43	46	48	40	33	39
1. Current Economic Conditions vs. 6 Months Ago	49	64	65	54	52	48	47	39	38	42	33	24	22
2. Expectations for Economy, 6 Months Ahead	50	54	51	48	43	47	48	43	49	50	41	34	47
3. Expectations for Own Industry, 6 Months Ahead	54	55	53	51	48	50	51	46	52	52	46	41	48
Current Conditions in Own Industry vs. 6 Mos. Ago	55	62	60	53	54	50	46	41	42	42	39	33	30

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

Expectations for next 6 months: Own Industry

	1990				1991
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	52	52	46	41	48
MANUFACTURING	52	52	46	40	49
Nondurables	51	52	47	42	49
Food, Textiles, Apparel	52	52	47	46	52
Paper, Printing, Publishing	50	51	47	44	48
Chemicals, Petroleum, Rubber	51	52	48	37	47
Durables	52	51	45	38	50
Metals	54	53	47	34	49
Machinery	56	53	45	42	49
SERVICES	51	52	48	40	47
Utilities	53	55	52	45	46
Wholesale & Retail Trade	58	55	46	38	46
Banking and Finance	45	46	41	36	42
Insurance	52	55	52	46	50
Business Services	56	55	49	38	52

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

Current Conditions: Own Industry

	1990				1991
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	42	42	39	33	30
MANUFACTURING	40	40	38	31	25
Nondurables	39	39	37	33	27
Food, Textiles, Apparel	40	39	34	32	32
Paper, Printing, Publishing	36	36	32	32	23
Chemicals, Petroleum, Rubber	40	42	43	36	28
Durables	40	40	38	30	24
Metals	33	39	42	27	22
Machinery	47	44	39	35	28
SERVICES	44	43	40	31	30
Utilities	48	47	44	38	38
Wholesale & Retail Trade	43	43	40	32	27
Banking and Finance	35	33	29	19	21
Insurance	47	46	43	38	38
Business Services	51	48	42	37	36

Table 4: "During the current year, do you expect employment levels in your industry to:"

	All Industries		*Manufacturing*	
	1990	1991	1990	1991
Increase More Than 2.5%	2%	1%	1%	0%
Increase Less Than 2.5%	10	6	7	6
Remain the Same	50	34	54	35
Decrease Less Than 2.5%	30	44	29	47
Decrease More Than 2.5%	7	15	9	14

Table 5: "Compared to last year, how much difficulty do you anticipate finding qualified employees this year?"

	1986	1987	1988	1989	1990	1991
	Percent Anticipating More Difficulty					
All Industries	21%	19%	23%	35%	21%	6%
Manufacturing	17	17	25	36	17	4
Nonmanufacturing	25	24	21	35	24	8

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

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